



## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-92666; File No. SR-NASDAQ-2021-062]

### **Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Expiration Timeframe of Long-Term Index Options Series**

August 13, 2021.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 9, 2021, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### **I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change**

The Exchange proposes to amend The Nasdaq Options Market LLC (“NOM”) Rules at Options 2, Section 5, Market Maker Quotations and Options 4A, Section 12, Terms of Index Option Contracts.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

#### **II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend NOM Rules at Options 2, Section 5, Market Maker Quotations and Options 4A, Section 12, Terms of Index Option Contracts. Specifically, the Exchange proposes to amend the expiration timeframe of Long-Term Options Series or "LEAPs."

Options 2, Section 5(d)(2)(A) currently provides, "Bid/ask differentials shall not apply to any options series until the time to expiration is less than nine (9) months for index options."

Similarly, Options 4A, Section 12(b) currently states,

(1) Notwithstanding the provisions of paragraph (a)(3), above, NOM may list long-term index options series that expire from nine (9) to sixty (60) months from the date of issuance.

(A) Index long term options series may be based on either the full or reduced value of the underlying index. There may be up to ten (10) expiration months, none further out than sixty (60) months. Strike price interval and continuity Rules shall not apply to such options series until the time to expiration is less than nine (9) months. Bid/ask differentials for long-term options contracts are specified within Options 2, Section 5(d)(2)(A).

The Exchange proposes to amend the current text of Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) to amend the time to expiration term of LEAPs on index options from nine to sixty months to twelve to sixty months. Likewise, the Exchange proposes to amend the time to

expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options from less than nine to less than twelve months.

Today, other options markets have terms similar to those proposed herein.<sup>3</sup>

The proposal would align NOM's rules with other options markets with respect to the opening month for LEAPs on index options and the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options by changing nine to twelve months.

The Exchange also proposes to amend Options 2, Section 5 concerning a Market Maker's obligation to make two-sided markets in any option series with an expiration of nine months or greater. Today, Market Makers are not required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater in equities, ETFs or indexes. With this proposal, Market Makers are not required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of nine months or greater in equities, and ETFs. With respect to indexes, Market Makers would not be required to make two-sided markets in Quarterly Option Series, any Adjusted Option Series, and any option series with an expiration of twelve months or greater. The Exchange proposes to add rule text within Options 2, Section 5 to make clear a Market Maker's obligation, respectively, to make two-sided markets with respect to LEAPs. Today, Nasdaq ISE, LLC ("ISE"), Nasdaq GEMX, LLC ("GEMX") and Nasdaq MRX, LLC ("MRX") have similar rules which describe the way LEAPs on index options should be quoted.<sup>4</sup>

#### Implementation

The Exchange proposes to implement this amendment on or before September 30, 2021. The Exchange will issue an Options Trader Alert announcing the date the amendment will be operative.

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<sup>3</sup> See Cboe Options Exchange, Inc. Rule 4.13(b). See also Nasdaq Phlx LLC and Nasdaq ISE, LLC Options 4A, Section 12(b).

<sup>4</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>5</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>6</sup> in particular, in that it is designed to promote just and equitable principles of trade and to protect investors and the public interest by amending its rules, in part, to align NOM's rules with other options markets with respect to the opening month of acceptable months for LEAPs on index options and the time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPS on index options. Today, other options markets have terms similar to those proposed herein.<sup>7</sup>

Amending Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) would harmonize NOM's rules with respect to LEAPs on index options to permit NOM to list these options in the same manner as other options markets that have similar rules.<sup>8</sup> The Exchange notes that this rule change will allow NOM to list more non-LEAP expirations as the front-months for LEAP expirations would begin with month twelve instead of month nine. The Exchange believes that this proposal would allow it to list more months where there is greater customer demand as this proposal would amend the opening month for LEAPs on index options from nine to twelve months. Harmonizing NOM's rules with respect to LEAPs on index options will allow NOM to list these options in the same manner as other options markets that have similar rules.<sup>9</sup>

Amending Options 2, Section 5 to specifically note that the opening month for LEAPs on index options would be twelve months by adding a separate sentence to address LEAPs for index options is consistent with the Act. The proposal would align the Exchange with the way other

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<sup>5</sup> 15 U.S.C. 78f(b).

<sup>6</sup> 15 U.S.C. 78f(b)(5).

<sup>7</sup> See supra note 3.

<sup>8</sup> See supra note 3.

<sup>9</sup> See supra note 3.

options markets require market makers to quote LEAPs on index options.<sup>10</sup> NOM Market Makers would be required to provide two-sided quotations in additional months with this proposal as the opening month for LEAPs on index options is changing from nine to twelve months.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. Specifically, the Exchange does not believe the proposal to amend Options 2, Section 5(d)(2)(A) and Options 4A, Section 12(b) will impose any burden on intra-market competition as all Participants will be treated in the same manner with respect to time to expiration for strike price interval, continuity rules and bid/ask differentials for LEAPs on index options. Additionally, the Exchange does not believe the proposal will impose any burden on inter-market competition as market participants are welcome to become NOM Participants if they determine that this proposed rule change has made NOM more attractive or favorable. Finally, all options exchanges are free to compete by listing and trading index options with similar expirations.

Amending Options 2, Section 5 to specifically note that the opening month for LEAPs on index options would be twelve months by adding a separate sentence to address LEAPs on index options does not impose an undue burden on competition, rather the proposal aligns the Exchange's rule with rules of other options markets with respect to quoting LEAPs.<sup>11</sup>

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

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<sup>10</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

<sup>11</sup> See ISE, GEMX and MRX Options 2, Section 5(e)(1).

### III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and Rule 19b-4(f)(6) thereunder.<sup>13</sup>

A proposed rule change filed under Rule 19b-4(f)(6)<sup>14</sup> normally does not become operative prior to 30 days after the date of the filing. However, pursuant to Rule 19b-4(f)(6)(iii),<sup>15</sup> the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange has requested that the Commission waive the 30-day operative delay. Waiver of the operative delay would allow the Exchange to align its rules with other options exchanges with respect to the opening month for LEAPs on index options and implement its proposed rule change on or before September 30, 2021. The Commission believes that the proposed rule change presents no novel issues and that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the operative delay and designates the proposed rule change operative upon filing.<sup>16</sup>

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

<sup>15</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>16</sup> For purposes only of waiving the 30-day operative delay, the Commission also has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2021-062 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2021-062. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F

Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-NASDAQ-2021-062, and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

**J. Matthew DeLesDernier,**

*Assistant Secretary.*

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<sup>17</sup> 17 CFR 200.30-3(a)(12).